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SUBJECT: AUSTR DONNELLY DISCUSSES TRADE ISSUES WITH  
PORTUGUESE EU PRESIDENCY

SUMMARY

1. (SBU) AUSTR for Europe and the Middle East Shaun Donnelly and USTR Director for European and Middle Eastern Trade Affairs Paul Burkhead held meetings with Portuguese trade and economic officials in Lisbon on August 28. They discussed Doha Round next steps, November 9 Transatlantic Economic Council (TEC) preparations, US-EU engagement on the Anti-Counterfeiting Trade Agreement, and Washington's increasing frustration with the EU's interpretation of its commitments under the WTO Information Technology Agreement.

2. (SBU) Donnelly, Burkhead and Acting Pol-Econ Counselor held a joint meeting with Vitor Escaria, the Prime Minister's Economic Adviser, and Rui Macieira, the MFA's Deputy Director-General (DG) for European Affairs. They also met separately with Nuno Lucio, the Ministry of Economy's Deputy DG for Economic Activities. End Summary.

DOHA NEGOTIATIONS

3. (SBU) AUSTR Donnelly and Escaria both underscored the importance of successfully concluding the Doha round negotiations before the end of the year. Although the U.S. and EU positions were similar, Donnelly said, both sides needed to pursue an ambitious negotiating stance rather than settle for a lowest-common-denominator result. Escaria agreed with Donnelly that Argentina, Brazil, China, India, Korea and the ASEAN countries needed to put "real" market access on the negotiating table, and that Brazil \* perhaps more than India \* was eager to conclude the round. However, Brazil still had to be careful not to appear to sell out the Argentines, Macieira commented. He noted that the EU-Mercosul interest in negotiating a Free Trade Agreement was added EU impetus for quickly concluding the Doha negotiations, as neither side thought the FTA would advance absent an agreement. Lucio suggested that the key to finding a resolution on Doha was to strike a balance between tariffs and trade gains based on greater market access and a level playing field. He also noted the importance of demonstrating market access gains and improving standards of living to garner public support for globalization.

TRANSATLANTIC ECONOMIC COUNCIL (TEC)

4. (SBU) The Portuguese identified the TEC \* along with Doha \* as a Portuguese EU Presidency priority. Donnelly commented that what made the TEC different from the previous attempts at transatlantic economic dialogue was the TEC's hands-on involvement from political levels. Escaria agreed that high level political backing was crucial to accelerate US-EU trade

cooperation, adding that Lisbon was "very keen" on having a successful November 9 meeting to show that the new forum could deliver results. The Portuguese confirmed that Economy Minister Manuel Pinho plans to attend.

#### ANTI-COUNTERFEITING TRADE AGREEMENT (ACTA)

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15. (SBU) Donnelly raised the Anti-Counterfeiting Trade Agreement (ACTA) and mentioned the Italian government's view that member-states should be directly involved in ACTA negotiations. He underscored Washington's desire to avoid getting in the middle of a debate on EU member-state competencies while noting that the topic was a complex one involving not only trade, but also intellectual property rights, customs, law enforcement, and judicial issues. Escaria said the Portuguese government was aware of the debate and noted that Lisbon was happy with the leadership of the Commission on the issue. Macieira agreed, but emphasized that, as discussions progressed, member-states would have to be brought into the dialogue. Lucio stressed that the work covered by ACTA is very important and should be tackled in a high-profile way to help give visibility to the issue.

#### INFORMATION TECHNOLOGY AGREEMENT (ITA)

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16. (SBU) Donnelly also discussed Washington's increasing frustration with the EU's interpretation of its ITA commitments. Specifically, he expressed concern that as certain IT products have evolved, with new features or capabilities being added, the Commission has sought to reclassify these items as new products not covered under the ITA, and thus not entitled to preferential tariff treatment. Donnelly told his Portuguese interlocutors that Washington

LISBON 00002288 002 OF 002

"feels like we are being blackmailed" and expressed concern that this issue could become the next big U.S.-EU trade dispute, possibly during Portugal's EU presidency. Escaria suggested that the disagreement could be dealt with in a discussion on enhancing the ITA and said that the agreement's scope needed to be formally articulated. Burkhead acknowledged that the Commission had suggested dealing with USTR's concerns through negotiations on ITA expansion, and added that Washington was happy to discuss the issue of expanding ITA coverage but did not want to renegotiate what had already been agreed. Both Escaria and Macieira said that Lisbon was ready to discuss the issue.

#### TWO SEPARATE ITEMS ) IRAN AND GEOGRAPHIC INDICATIONS

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17. (SBU) Macieira raised two separate subjects of interest to the Portuguese government ) Iran and the EU/US wine agreement(s). He noted that the GOP was very concerned that the US might impose unilateral sanctions on Iran. He emphasized that Lisbon would be more troubled with the unilateral nature of such sanctions rather than on whether the sanctions were merited. Donnelly indicated that USTR did not have the lead role on the issue but that he would gladly relay Lisbon's concerns to Washington. Macieira also expressed interest in an expedited resolution on the Part II of the U.S.)EU Wine agreement and noted that the EU was encouraged by the recent US Supreme Court ruling on Napa Valley wines. Portuguese also noted the importance they and the EU ascribed to the geographic indications (GI) issue. Donnelly explained USG views on GIs, in Doha context and more generally.

AUSTR Donnelly has cleared this cable.

Hoffman